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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 03/31/06

Part-1

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- (1) Minshuto executives resign; Nagata quits his Diet seat

ASAHI (Internet edition) (Abridged)  
March 31, 2006

Minshuto (Democratic Party of Japan) President Seiji Maehara

informed the party leadership today of his intention to resign his post to take responsibility for the turmoil created by a fake e-mail message produced by Lower House lawmaker Hisayasu Nagata (who is now suspended from the party). He hoped to draw a close to the issue by resigning himself, since the e-mail issue has become prolonged, and the party cannot stop the losses of public support in the polls. Other party executives, including Secretary General Yukio Hatoyama, will also resign their posts.

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The party this afternoon will announce the results of its investigation into the e-mail issue.

In addition, since a chorus of voices in the party has been calling for Nagata to quit his Diet seat, Secretary General Hatoyama reported in a party officials' meeting this afternoon that "Nagata will resign from the Diet."

At the party officials' meeting, it was decided that an election to choose a successor to Maehara would not be carried out by party members but instead, the new party head would be chosen by election at a joint meeting of Minshuto lawmakers from both houses of the Diet. Regarding the term in office of the successor head, the views coming from Diet Affairs Committee Chairman Kozo Watanabe and others is to make it an interim appointment until September (when Maehara's term in office would have expired).

On the other hand, in the result of the investigation to be released by the party later this afternoon, it will be written that he had told the party leadership and others that he had exaggerated during questioning in the Lower House Budget Committee when he acted as if he knew the bank account number that had been used to send the money (from Livedoor's Horie-mon to the son of Liberal Democratic Party Secretary General Takebe). On hearing this, Minshuto Secretary General Hatoyama this morning

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met Nagata in Tokyo and asked Nagata to quit the Diet seat on his own, but Nagata refused.

Maehara explained to Diet Affairs Chairman Watanabe, "Since we cannot get Nagata to resign on his own, I myself will take responsibility."

As for a successor, the names of Ichiro Ozawa and Naoto Kan have been mentioned as contenders to replace Maehara.

(2) Moriya unhappy with Nago City

RYUKYU SHIMPO (Page 2) (Full)  
March 31, 2006

(Tokyo) Administrative Deputy Director for Defense Takemasa Moriya at his regular press conference on March 30 openly indicated that he was unhappy with Nago City's response that has led to a delay in restarting talks between the city and the Defense Agency on the relocation of Futenma Air Station to the coastal portion of Camp Schwab (coastal plan) as part of the realignment of US forces in Japan. He said, "The director general would like to be directly contacted by the mayor." It is extremely rare for the central government to openly express dissatisfaction with a local government.

Deputy Director General Moriya explained: "There was a telephone call from a division chief (in the city hall) to one of our office workers saying that the mayor wanted to talk with me after the official funeral of the late mayor Tateo Kishimoto." He added, "Since the director general (Fukushiro Nukaga) and the mayor (Yoshikazu Shimabukuro) are engaging in talks, I think the director general would like to receive a call directly from the mayor."

In addition, he said, "The last time the two talked, the conversation ended with him telling the mayor that he wanted to speak to him again as quickly as possible." He stressed that the mayor of Nago was supposed to have come on the 29th as promised

at the meeting on the 26th.

(3) Nature Conservation Society asks for revision of coastal plan for Futenma relocation: "Could have an impact on the ecosystem"

RYUKYU SHIMPO  
March 31, 2006

(Tokyo) In connection with the plan to relocate the US Marines' Futenma Air Station to the coastal portion of Camp Schwab, Nature Conservation Society of Japan (Director Sadahisa Tabata) on March 30 sent an opinion paper to Foreign Minister Taro Aso and Defense Agency Director General Fukushima Nukaga pointing out the problem areas with the coastal plan that "would have a major effect on the living creatures in Oura Bay and on the lives of the dugongs." The society asked for a revision of the construction of an alternate facility toward the waters off Henoko. It also asked in its paper that Governor Keiichi Inamina and Nago Mayor Yoshikazu Shimabukuro not accept the construction of the current plan.

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The paper stated: "The shallow waters in front of Camp Schwab is a good area for sea weed to grow. If the sea is reclaimed and a man-made runway built, we predict the result would be devastating for the living creatures in the sea area and the seaweed bed. The food eaten by dugongs and sea turtles would be lost, and there would be an impact on the entire ecosystem centered on coral."

In addition, the paper urged that neither the SACO plan nor the reduced scale plan off of Henoko be built.

(4) Nukaga refuses Nago proposal on Futenma relocation

RYUKYU SHIMPO (Page 1) (Full)  
March 31, 2006

TOKYO-Defense Agency Director General Fukushima Nukaga met with Kin Town Mayor Tsuyoshi Gibu, Onnason Village Mayor Fumiyasu Shikiya, Ginozason Village Mayor Hajime Azuma, and Higashison Village Mayor Shigeru Miyagi at the Defense Agency yesterday evening. In the meeting, Nukaga asked for their understanding on the planned relocation of the US Marine Corps' Futenma Air Station to a coastal area of Camp Schwab in the Okinawa prefectural city of Nago. Nukaga also told the local chiefs that the Defense Agency couldn't accept Nago Mayor Yoshikazu Shimabukuro's counterproposal on the Futenma relocation. The mayor has called for the agency to avoid setting the flight course of US warplanes over his city's shore areas and move down the planned facility's tarmac to an offshore area. The municipal heads asked the defense chief to talk sincerely with the Nago mayor. Ginozason Mayor Higashi asked the agency to avoid setting the flight course over his village's communities.

In the meeting, Nukaga conveyed the Defense Agency's basic stance to the local authorities. "We can't get a perfect score, so I will talk with them sincerely," Nukaga said.

"My village also will be greatly affected," Ginozason Mayor Higashi said. "All of my village's communities are opposed to the new base, and we don't want US warplanes to fly over our communities," Higashi added. "If we settle this problem over here, then we will have another problem over there," Nukaga answered, adding: "We'd like to have an opportunity for us all to talk, and then I'd like to consider."

After the meeting, Nukaga said Nago City would hold a funeral service for the late former Nago Mayor Tateo Kishimoto on April 12. "After that, I hope we can hold talks at an early date with Nago Mayor Shimabukuro," Nukaga said. At the same time, Nukaga also said he had held talks with the Nago mayor over the telephone. The Nago mayor answered he would meet with the defense chief at the earliest possible time, Nukaga said.

After the meeting, Mayor Gibu said, "We didn't break off." Gibu also said he would let Nago Mayor Shimabukuro know what they discussed in the meeting with the defense chief. "We'd like to talk about what to do about this matter, and I will ask him to continue talks with the government," Gibu added. He hinted that he did not definitely oppose the coastal relocation plan in the meeting.

(5) 2006 LDP presidential race (Part 1): Shinzo Abe attaches

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importance to Constitution and education for rebuilding conservative visions

ASAHI (Page 4) (Abridged slightly)  
March 31, 2006

Since late last year, Chief Cabinet Secretary Shinzo Abe has been recommending the Japanese movie *Always Sanjome no Yuhi* (Sunset on the Third Street) to people around him. The film, a box office hit, is an ensemble of various human dramas that unfold in one quarter of Tokyo in 1958 when Tokyo Tower was still under construction.

In 1958, Abe was 4 and his grandfather Nobusuke Kishi was prime minister. Two years later, the US-Japan Security Treaty was revised, dividing the country.

Why is Abe drawn to that time period? A hint may lie in Abe's "policy speech" posted on the Internet for the virtual LDP presidential race conducted in December 1999 by the party's like-minded junior members. The speech read:

"In my boyhood, Japan was still poor, and a lot of Japanese people craved for catching up with the high living standards of the United States, which we saw through television and movies. A half-century has passed since the end of the war, and Japan has generally achieved that goal. But I am afraid that Japanese people have become too self-centered."

When the LDP was launched half a century ago, it had two objectives: (1) creating a prosperous Japan, and (2) establishing a constitution and a basic education law on its own. Abe maintains that the first objective has been achieved but the second one has been put on the backburner. He thinks that although Japan has grown economically, it has yet to rebuild its own visions, including a new constitution. Asked about the Livedoor scandal, which exposed the negative side of the Koizumi reform drive, Abe said, "We must teach children that there are values that are more important than winning or losing." The comment reflected Abe's eagerness to revise the Basic Education Law. Abe, who learned an "unwavering belief" from Kishi, regards a post-Koizumi era as a turning point of postwar conservative politics comparable to the Kishi period.

In the book titled *Watashi ga Sori ni Nattara* (When I Become Prime Minister), authored by 29 junior lawmakers and published in 2002, Abe wrote: "My goal is to make Japan into a country with pride - a country with quiet pride in its history and culture."

Two securities

As means to realize a "country with pride," Abe, since his first election to the Diet in 1993, has been focusing on two securities: national security and social security. Abe, a defense policy specialist of the postwar generation, has been calling for amending Article 9 of the Constitution to open the door to collective self-defense.

His stance toward China has also been persistent. In November 1998, he attended a meeting of Japanese and Chinese leaders as son of the late Shintaro Abe, who served as foreign minister. He

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directly advised President Jiang Zemin:

"It is impossible for all the peoples of Japan and China to have the same perception. It is important to consider the friendship between the two countries while acknowledging each other's differences."

Shortly after winning a Diet seat for the first time, he also became a member of the ruling bloc's social security project team, followed by deputy director and director of the LDP Social Affairs Division, and a director of the Lower House Health and Welfare Committee. Tackling such issues as pension, medical, and nursing care, he called for greater safety nets.

Shortly after the establishment of the Koizumi administration, LDP members with ties to special interests called for cutting back on social security spending for fear of curtailment of public works projects. Abe, who was serving as deputy chief cabinet secretary at the time, vocally objected to the call, saying, "Social security concerns every citizen."

Abe does not forget social security when he speaks of the need to continue the Koizumi reform drive. Abe delivered a street speech in Ishikawa Prefecture on March 12 in which he said, "Without a vigorous economy and society, we will not be able to maintain society security, which is vital."

Abe also took the initiative in launching a council encouraging society to give a second chance to entrepreneurs. The council's inaugural meeting took place yesterday at the Prime Minister's Official Residence (Kantei), with bureau directors of concerned ministries and agencies attending. At the meeting, Abe cited a resident of Yamaguchi Constituency No. 4, his home turf, as complaining, "Once a company fails, one loses his credibility as well, and he cannot rise again."

Abe has been eager to deal with social divide apparently in an apparent effort to generate his own policy imprint with the reform argument in mind. "I want to build a Japanese society that is full of energy and yet is gentle to the people," Abe said in a speech in Tokyo in February. Abe intends to pursue both the Koizumi-style market mechanism and the relief of the socially weak.

Hates hawkish image

Abe has become a national figure owing to his rock-solid, hard-line stance in dealing with issues, including the abduction issue. But Abe hates being called as a "hawk" by LDP members and others in the fields of diplomacy and security. "Labeling people is meaningless," Abe said.

Asked about his diplomatic stance March 13, he said before the Upper House Budget Committee: "Regrettably, I'm often called a hard-liner. But what is important is to maintain friendly relations with South Korea and China."

But he remains antagonistic toward "doves." Appearing on television in January, Abe said:

"I don't regard myself a hawk in any way. But I think many of

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those who are referred to as doves are content with being called that way."

Veteran LDP lawmakers who think Japan needs to revamp its Asia policy are trying to zero in on Abe's right-leaning diplomatic stance with an eye on the LDP presidential election in September.

How will Abe combine the two security arguments and expand the horizon for domestic and foreign policies? The key lies in his efforts to present a new national image and win support from other LDP members.

(6) Editorial: Muraoka acquitted: Hashimoto's turn to testify

before Diet

ASAHI (Page 3) (Full)  
March 31, 2006

Many people might have been disappointed at the Tokyo District Court's decision that former Liberal Democratic Party (LDP) Secretary General Kanezo Muraoka was acquitted of the charge of

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having accepted a secret 100 million yen political donation from the Japan Dental Association (JDA) in July 2001 that was passed to the LDP's faction head, former Prime Minister Ryutaro Hashimoto. Muraoka was acting chairman of the faction at the time. From the start, the story was full of doubtful elements.

Although Ryutaro Hashimoto, Hiromu Nonaka and Mikio Aoki received the 100 million donation from the JDA, received when dining with dental association executives, the faction failed to list the donation in its annual report on political funds to the government. The prosecutors alleged that Muraoka conspired to hide the donation.

Hashimoto, Nonaka and Aoki had their indictments suspended, but Muraoka, who had retired from the politics after being defeated in the election, and the former treasurer of the faction were charged with concealing the donation. The question is why only Muraoka and the former treasurer were indicted but those politicians present on the spot when the 100 million yen check was handed over were not.

Even after the scandal's revelation, Hashimoto's explanation that he did not remember (whether he received the check or not) created growing suspicions about why the other two were alone charged.

The thrust of the prosecution's allegation was the testimony by the former treasurer that Muraoka had ordered him to hide the donation. Muraoka, however, asserted his innocence.

The court determined that the testimony of the former treasurer "not reliable" because the treasurer kept changing his statements and there were contradictions in his testimony.

The presiding judge explained the reason why he had determined that the former treasurer had given false testimony:

"There is the possibility that the 100 million yen donation had been handled as the political contribution to former Prime Minister Hashimoto. It is just conceivable that the former

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treasurer wanted to prevent the scandal from causing trouble for Hashimoto, and to avoid having the faction suffer a great blow."

The judge hinted at Hashimoto's involvement in the scandal.

The judge's explanation is very persuasive for it addresses our doubts.

At any rate, there undeniably were problems with the investigation carried out by the prosecutors. The Diet should take the court ruling as criticism for a lax response.

The opposition parties repeatedly demanded that Hashimoto be summoned to testify before the Diet, but such was never realized meeting the position by the ruling coalition.

At a session of the House of Representatives Deliberative Council on Political Ethics in the fall of year before last, Hashimoto stated as if the 100 million yen donation was not his problem, "I probably received it, but I don't remember it."

Hashimoto, who served in such an important post, should testify openly and squarely in a public forgone as a witness, not before the political ethics council, statements in which are not accused

of perjury and are not opened to the public.

The scandal is one of the reasons why Hashimoto retired last year from the political world. However, he is expected to meet in Beijing with Chinese President Hu Jintao as leader of a delegation of seven groups to promote Japan-China friendship. He has continued to have political influence centered on diplomacy.

It is not too late to summon Hashimoto to testify as a witness before the Diet. The Diet should do its best to shed light on the illegal donation scandal.

(7) Policy debates start in divided Japan (Part 2): LDP fears fallout from society of disparity

ASAHI (Page 1) (Slightly abridged)  
March 30, 2006

Last October, the Liberal Democratic Party (LDP) held a joint meeting of its committees on policy-based financial reform. The focus of discussion was on plans to streamline Shoko Chukin Bank and Japan Finance Cooperation for Small Business. Koizumi's proteges took the lead in the discussion. In the meeting, these views were presented: "Reform plans must be implemented;" and "the presence of policy finance institutions has pressed the management of private firms."

House of Councillors member Yoshifumi Matsumura refuted such views in favor of reform. He said: "Reform is necessary, but there are some plans that must be thoroughly discussed. The role of policy finance institutions is to lend money to those who cannot borrow from private banking institutions."

Seeing executives from leading banks or foreign securities firms on the boards of policy finance institutions, Matsumura, who once chaired the Young Entrepreneurs Group of the Japan Chamber of Commerce and Industry, thinks: "They do not understand borrowers'

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feelings."

The LDP's "Association to Foster Small Businesses," which was set up to review deregulation, has been dormant, with the post of chairman left vacant since former International Trade and Industry Minister Kabun Muto stepped down in 2005. Diet members acting on behalf of commerce and industrial groups, as well as executives at small businesses are dissatisfied with the current state, one lawmaker grumbling: "When we complain about the situation, we are told 'you are trying to get benefits' or 'you are the forces of resistance'."

Matsumura and other participants who raised objections in the joint meeting were feeling a sense of isolation, fearing that once the viewpoint of the stronger side - lenders - dominated the LDP, the party might become less interested in rescuing the weak. Foreign Minister Aso, who served as LDP Policy Research Council chairman when the Koizumi government was launched in 2001, called the LDP's postwar economic policy "petition politics."

Under "petition politics," industrial groups, joining hands with LDP policy cliques in the Diet and relevant government ministries and agencies, ask influential officials to protect their interests. Industrial groups would receive subsidies and special tax treatment, while the LDP would get votes and money from the industries. This is a cooperative system through petitions established between politicians, bureaucrats, and businesses.

The Nakasone administration in the 1980s failed to destroy such a cozy system. Just after the bursting of the bubble economy in the 1990s, the government implemented measures to buoy up the economy by increasing public works projects, resulting in making the collusive system more rigid.

In his policy speech in the fall of 2001, Prime Minister Koizumi said that in order to put the economy on a recovery track under the lead of the private sector, there would be no other means but

to destroy the collusive structure. He also revealed the policy of taking assistance measures for small businesses, instead of protective measures, saying: "I will double the number of new business startups over the next five years." Following the Small Business Challenge Support Law enacted in 2002, the government revised the New Business Promotion Law in 2003 to remove the regulation on minimum capital and enable entrepreneurs to start up new businesses only with one yen as capital."

The prime minister visited this January the plant of a metal processing company with only six workers in Higashi-Mukojima, Tokyo. This company developed a 0.2-mm injection needle. The prime minister commented: "I was aware that not only leading firms but also small businesses have supported the Japanese economy."

Midori Matsushita, chairman of the LDP Economy and Industry Division head and who was elected from this district, felt something different about it. She said: "There are many small companies that are greatly motivated but have difficulty in raising funds. I want the prime minister to realize that there are many cash-trapped small firms."

Some LDP members are worried that people, in response to widening

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income disparity, might abandon the LDP. One official said: "Downtown shop owners who were supporting us turned their backs and easily supported the New Komeito or the Japanese Communist Party."

On March 27, when the fiscal 2006 budget bill passed the Diet, the prime minister commented, remembering the days when his administration was launched in 2001, that although many called on the government to give priority to economic stimulus measures over reform, "I stressed the need for reform."

But Japan now faces a crossroads. There is a document that senior members of the LDP's Economy and Industry Division have worked out. The document classifies firms into "petty, small, and medium companies" and proposed these policy measures: (1) Establish a small business basic law for companies with less than five employees; and (2) look into the success or failure of businesses capitalized at one yen. Acting division head Hiroshi Kajiyama, a House of Representatives member, said: "It is necessary to reconsider if the current measures for small businesses worked out without giving consideration to the size of each firm are really effective and helpful. Different sizes of firms have different desires."

The prime minister said: "In any country, there is a certain level of social discrepancy," but it is difficult to dissolve the seriously widening income gap between small firms under a re-distribution system.

Upper House member Hirohide Uozumi, who served as advisor to the Central Federation of Societies of Commerce and Industry in Japan said:

"Due to a lack of successor at local firms, they pull back on capital investment, resulting in losing jobs. We failed to hammer out effective means to prevent this vicious cycle."

Lower House member Junichiro Yasui, who was a member of the Waseda Shopping Street Association, stated: "It is undesirable to call for subsidies. Once companies receive money, they do not try their indignity to revitalize business."

Attention has been focused on the need to correct the widening wealth gap in society at last after the "lost five years."

DONOVAN